

**Granting Niger Deltans a “stake”
in oil to reduce conflict**

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SUMMARY

In September 2009, Nigeria's then-President Umaru Yar'adua announced that communities in the oil-rich Niger Delta would receive a 10 percent "equity" share in selected national oil assets. Now one year later Dr. Emmanuel Egbogah, a Presidential Adviser, has offered a revised plan forcing oil companies operating in the delta to pay "dividends" to communities "impacted" by their operations. Each year these communities would get around a half-billion dollars total, which they could either withdraw in cash or spend on local development projects. The plan is likely to be included in Nigeria's controversial Petroleum Industry Bill for passage.

This measure, some Nigerian officials have argued, would "end" the sort of anti-oil violence in the delta that crippled the country's petroleum industry in recent years. Crisis Project believes any plan to secure the Niger Delta with oil money faces steep hurdles, though, and at a minimum would have to:

ONE: Focus on growing economies, not buying off violent actors. Anti-oil violence in the Niger Delta is unlikely to end without a long period of economic transformation. Government should ask itself: how can money redistributed to locals help create jobs? What would be the fiscal terms of the redistribution program, and what fiscal policies would be needed to protect growth from economic shocks? Will government enact other pro-growth policies? Will there be any centralized Niger Delta development planning or implementation? And how will government ensure new economic growth does not just feed into violence? There are few easy answers, but opportunities are there.

TWO: Settle on a clear idea of *how* spending money will reduce conflict. Doing something about conflict means *changing* something, and a wealth redistribution program like the 10 percent has two main options. First, it can *change economic incentives around violence*. Existing incentives in the Niger Delta are too strong and complex for this, though – results are just not predictable. More promisingly, the program can *change local institutions and relationships*. Funds could bankroll participatory development programs in the delta, for instance, or help build the private sector. Neither of these can bring area-wide peace alone, but they could be good starts.

THREE: Ensure ideas for the program hold up against realities on-ground. The ultimate question is: how would a program like the 10 percent interact with violence in the delta over time? How might it alter conflict dynamics, and vice versa? Here government needs to assess program plans against (i) the area's conflict history, trends, trajectories and triggers; (ii) the realities of local governance. It is absolutely critical the 10 percent be tested before any funds go out. If the lines drawn between winners and losers line up with conflict fault lines, there will likely be trouble.

It is not clear whether the 10 percent will be implemented, and unfortunately the plan Dr. Egbogah proposes would struggle to end anti-oil violence and risk sparking more. Additional thought and testing are needed. This policy paper, then, is a plea for *evidence-based decision-making*, both on the 10 percent, and on issues of Nigerian wealth sharing more generally. The idea of redistributing oil money to buy peace in the Niger Delta is not going anywhere. After measuring Dr. Egbogah's plans for the 10 percent against prevailing economic and political conditions in the delta, the paper lays out a process of research, analysis, and decision-making to transform the 10 percent, or measures like it, from fuzzy ideas into serious social and economic policy. Only in this way can government ensure that *doing something* in this area is better than *doing nothing*.

BACKGROUND

A certain calm has descended on the Niger Delta. Reports of kidnapping and violence are down. Oil production is spiking.¹ The Presidential succession crisis of early 2010 has been put to bed. And post-amnesty programming for militants, delayed many months, is underway. With Federal Government (FG) revenues up and elections ahead, the administration of President Goodluck Jonathan is eager to consolidate on all this.² And indeed the quiet is welcome. In recent years, locals in the delta have used varying tactics to slash Nigeria's oil output and wreak havoc on regional security.³ A dizzying mix of groups have threatened oil infrastructure by sabotage, occupation, or theft. Others have threatened the safety of individuals, mainly through kidnapping and violent extortion. Some communities have also battled each other in ways that stop oil flowing and destroy property, opportunities, and lives.⁴

As the country's first leader to hail from the Niger Delta, Jonathan also faces considerable pressure to *do something* for his region. Enter here the plan, announced in September 2009 by then-President Yar'adua, to give Niger Delta communities a 10 percent "equity" stake in selected government oil assets.⁵ Dr. Emmanuel Egbogah, the Nigerian official who has been the measure's public spokesman, has predicted granting locals equity will "end" anti-oil violence in the delta.⁶

¹ Nigeria produced an average 2.25 million barrels of crude and condensate per day in the first quarter of 2010, up roughly half a million barrels from 2009 averages. National Bureau of Statistics, June 2010.

² The oil sector of the economy grew by 7.23 percent in Q1 2010, adding n994.9 billion in revenues. *Id.*

³ For more on this, see Transnational Crisis Project, "Antidote to Violence? Lessons for the Nigerian Federal Government's 10 percent community royalty from the oil company experience," 2010. The report sought lessons for the 10 percent in the long oil company experience transferring oil money to communities to avoid violence. In summer 2010, Crisis Project conducted survey of mechanisms used in the Niger Delta to transfer oil wealth to locals, e.g., through the Niger Delta Ministry, parastatals like the Niger Delta Development Commission (NDDC), state development commissions, state government ministries, and donor development efforts (e.g., by the World Bank). That research informs this paper.

⁴ Between 2007 and 2009, violence around oil installations shut down nearly half of Nigeria's oil and gas fields and deferred billions in revenues, perhaps \$24 billion in the first eight months of 2008 alone. *Report of the Technical Committee on the Niger Delta*, 2008.

⁵ Both the 1969 Petroleum Act and Article 44(3) of the 1999 Federal Constitution cordon off all oil revenues and reserves as exclusive Federal government property. Article 1 of the Petroleum Industry Bill currently under debate reaffirms this disposition. Article 1 of the 1978 Land Use Act appoints state governors "trustees" over most lands "for the use and common benefit of all Nigerians."

⁶ Crisis Project interview with Dr. Emmanuel Egbogah, Special Adviser to the President on Petroleum Matters, November 2009.

To date, Dr. Egbogah has devised a rough plan for the measure, dribbling details to insiders and the press. When it was first announced in 2009, Dr. Egbogah said FG planned to cede Niger Delta communities 10 percent of its shares in the 6 Incorporated Joint Ventures (IJVs) the controversial Petroleum Industry Bill (PIB) would create.⁷ A revised, more modest plan turned up in a recent government memo.⁸ [For a summary, see Box A, this page.] Egbogah claims President Jonathan has signed off on the revised plan, and that it will be inserted into the PIB for passage this month, when the National Assembly comes off recess. Crisis Project cannot verify these claims, however, and relevant stakeholders have expressed total ignorance and surprise over the news.⁹

This policy paper is a plea for *evidence-based decision-making*, both on the 10 percent, and on issues of Nigerian wealth sharing and economic policy more generally. Even if the 10 percent dies, redistributing oil money to buy peace in the Niger Delta is not going anywhere. By measuring Dr. Egbogah's plans for the 10 percent against prevailing economic and political conditions in the delta, the paper will lay out a process of research, analysis, and decision-making FG should take to transform the 10 percent, or measures like it, from fuzzy ideas into serious social and economic policy. Anti-oil violence is too complex and too costly to treat any other way. Wanting to fast-track measures like the 10 percent is understandable. The best choice, though, would be to slow down and ensure that *doing something* is better than *nothing*.

Box A:

Dr. Egbogah's Revised "10 Percent"

Each year, oil companies operating in the delta would be required to pay "dividends" to communities "impacted" by their operations. Whether a community is impacted would be determined by social and environmental impact studies, together with "objective minimum impact criteria." The minimum impact criteria require that a community be located within certain proximities to various kinds of oil infrastructure (e.g., within 10 km from an oil well) to qualify for payments.

The companies would calculate and pay dividends separately to each impacted community, based on a fixed schedule of "impact values" for certain oil assets located in or near them (e.g., Community A receives 20,000 dollars a year for each nearby wellhead). All funds would be paid directly to "community cooperatives" created specifically to manage dividends, with no role for state and local governments. The details of the cooperatives are not clear, however, and the possibility of forming larger "regional cooperatives" is mentioned but not explored.

Though the proposal requires the cooperatives to distribute at least some dividends in cash to all members equally, each cooperative could elect to use any leftover funds for other purposes. Dr. Egbogah has said "outside fund managers" would work with cooperatives to "encourage" them to spend dividends on small development projects of their own choosing. Total dividends are estimated at \$630 million a year, with the costs to the companies being tax deductible.

⁷ Today most of Nigeria's onshore oil is produced under 6 joint venture (JV) partnership arrangements between the Nigerian National Oil Company (NNPC) and the following multinational oil companies: Shell, Chevron, Mobil, Total, Agip, and Panocean. NNPC is the majority stakeholder in each JV, holding either a 55 or 60% interest. The PIB would convert these arrangements into 6 registered legal entities called IJVs. The IJVs would be financed by debt and equity, with government and the companies initially maintaining the same percentages of ownership as under the 6 JVs. Under Egbogah's original plan, FG would have sold down its shareholding in the 6 IJVs and transferred 10 percent of the shares to communities through an unspecified transaction. Crisis Project interview with Dr. Egbogah, 2009.

⁸ Federal Government of Nigeria, Inter Agency Team on the Petroleum Industry Bill, "Final Explanatory Memorandum of the Government Memorandum on the PIB," unpublished, September 2010.

⁹ Crisis Project interviews with senior presidential advisers and assistants, relevant ministers and their staffs, leading National Assembly members focused on the PIB, Nigerian National Oil Company officials, oil company executives, industry technocrats, activists, donors, analysts, and civil society personnel. Crisis Project interviews, August-September 2010.

BOX B:**Options for structuring the 10 percent**

(i) Project-based models. Under this approach, which is closest to Egbogah’s proposal, funds are pooled on the basis of chosen criteria to be used on development projects.

(ii) Distribution-based models. This model involves distributing cash, goods (e.g., mobile phone credits), or vouchers for goods and services to locals based on a chosen set of criteria.

(iii) Loan or grant-based models. Again based on more-or-less set criteria, individuals or groups could apply to one or more government- or privately-run organizations for benefits.

(iv) Some mix of (i), (ii), and/or (iii).

For each of these options, various criteria could be used to choose and group beneficiaries, and allocate benefits, including:

- *Identity* (e.g., clan or community membership);
- *Politics* (e.g., prior history of conflict, residence within certain LGA boundaries);
- *Technical* (e.g., volume or impact of oil production in a given area);
- *Geography and topography* (e.g., East versus West, creeks versus upland);
- *Socio-economic makeup* (e.g., population, poverty, existing economic relationships);
- *Success and promise* (e.g., prior efficient use of revenues, internal revenue generation, innovative thinking or social entrepreneurship).

FG’s menu of design options for the 10 percent is a rich one. [See Box B, this page.] If intelligently constructed, any number of them could have at least some positive effects on Niger Delta conflict. “Ending” anti-oil violence, however, is a steep goal for FG to hang on the 10 percent. Crisis Project believes any attempt to bring peace to the Niger Delta by redistributing oil wealth would face steep challenges, and any government program conceived along these lines would have to:

ONE: Focus on economic growth, not appeasement;

TWO: Settle on a clear idea of how spending money will reduce conflict;

THREE: Ensure ideas for the program hold up against realities on-ground.

Our research says current plans for the 10 percent score low on all three counts. As proposed, the 10 percent will struggle to end anti-oil violence happening now, and risk sparking more. In particular, Crisis Project believes the research informing Dr. Egbogah’s proposal for the 10 percent has been spotty, with too little input from experts and key stakeholders.¹⁰ The ideas

behind it are also weak. The analysis that follows explores the challenges and possibilities for designing the 10 percent as a true weapon against oil-based conflict.

¹⁰ Crisis Project interviews with government officials, civil society, and academics, 2009-2010.

CHALLENGE ONE: FOCUS ON ECONOMIC GROWTH, NOT APPEASEMENT.

Government needs a plan *for the Niger Delta* before it plans the 10 percent. The area's anti-oil violence is unlikely to stop for good without a long era of economic transformation. Unless FG folds the 10 percent into a bigger package of coordinated investment and policy reform, its chances for bringing peace across the delta are scant.

The delta's anti-oil violence, in many ways, is "about" money. Most grievances have economic roots: millions of residents, lacking clean water, education or a living wage, look on as elites steal or waste the area's oil wealth. The delta's many-headed "insurgency," now led by shifting coalitions like the Movement for the Emancipation of the Niger Delta (MEND), has seen its motives questioned as ties to crime and the political establishment deepen. Responding to the question *what are you fighting for*, one militant told Crisis

Project, "Money. Money, money, and more money."¹¹ Meantime, elite and ordinary Niger Deltans have learned that anti-oil violence *pays*. A multi-billion dollar *conflict economy* has sprung up around oil theft, kidnapping, and the like. Both licit and illicit enterprises play into this economy, as do all parts of society. Violence – or the implied threat of it, mostly – shapes even small, legitimate transactions. Deals available to perpetrators and preventers alike are some of the sweetest around.¹² The tangle of relationships and revenue streams involved is mind-bending.¹³ [See Figure 1, this page.]

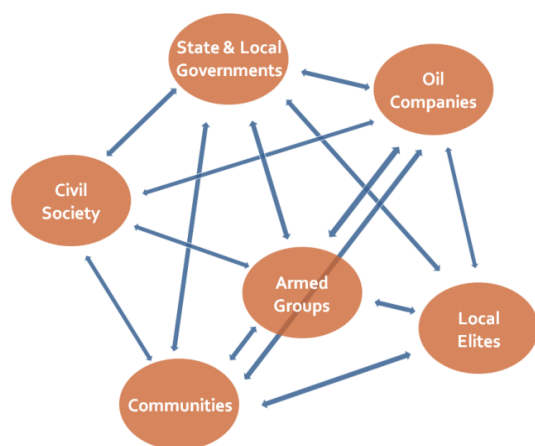


Figure 1:
The Niger Delta Conflict Economy –
A Partial Sketch

¹¹ Crisis Project interview, May 2010.

¹² This is not to say that the cynical will to profit is all that drives Niger Deltans to fight. As some analysts have cogently argued, both "greed" and "grievance" fuel anti-oil violence in the area. See e.g., A. Ikelegbe, "The Economy of Conflict in the Oil-Rich Niger Delta Region of Nigeria," *African and Asian Studies* no. 5, 2006; U. Ukiwo, "From Pirates to Militants: A historical perspective on anti-state and anti-oil company mobilization among the Ijaw of Warri, Western Niger Delta," *African Affairs* no. 425, 2008.

¹³ For more on the conflict economy, see Crisis Project (2010), 37f.

To break the cycle of local expectation, disappointment and violence, FG must link the 10 percent to a bigger Niger Delta economic program.

The conflict economy, in turn, is only one part of a larger system of violent opportunism Nigerians have built to make money from oil. Commerce, politics, and social convention all play roles. It is a creative system, admirable in its vigor and cunning, but in the end everybody loses. Each year gargantuan sums flow into the Niger Delta. State budgets, the fattest in Nigeria, top billions of dollars. With plentiful natural resources beyond oil and a work-aged population of 15 million easily, potentials are huge.¹⁴ But instead, a mistrustful, “conspicuous consumption”-based, non-productive mode of wealth sharing locks the Niger Delta into a prisoner’s dilemma.¹⁵ Goals are short-term and personalized, gains zero-sum. The waste and lost opportunities are life-changing for millions.¹⁶

What to do about such a system? Dismantling it would be tough, for many reasons. Convincing a critical mass of Niger Deltans to turn their backs on it is probably the best course, and prolonged economic development is the best tool for that. Too often in Nigeria, though, government and others use development money to *appease individuals or groups*, not *grow economies*. Different models for sharing resources are devised, yet high-stakes political contest is what decides most splits.¹⁷ The result in the delta has been spiraling expectations and disappointment, with government seen as patron rather than “partner” in any shared state-building project.¹⁸ And Niger Delta patrons who fail to meet expectations can see serious violence break out.¹⁹

To break the cycle of expectation, disappointment, and violence, FG must link the 10 percent to a bigger Niger Delta economic program. The challenge, as Senior Special Assistant to President Jonathan Oronto Douglas has said, is “to put in place effective strategies that will harness the expected gains and channel same for the good of the people until economic, social and environmental justice is done.”²⁰ If the 10 percent failed to grow the Niger Delta economy, this alone might not cause fresh violence. But a program that does not spur growth is a poor antidote to violence.

¹⁴ For additional recommendations on turning Nigerian population growth from a “problem” into a “dividend,” see British Council et al., *Nigeria: the Next Generation Report*, 2010.

¹⁵ The classic formulation of the prisoner’s dilemma problem is this: Two prisoners are locked in separate rooms. Their captor gives each the choice of either testifying against the other or remaining silent. Before they can decide, the captor offers each the following additional info: if one testifies against the other, and the other remains silent, the testifier goes free while the other is jailed for 10 years. If each testifies against the other, both will be jailed for 5 years. If both remain silent, both will spend only 6 months in jail. Neither prisoner can know the other’s decision before deciding themselves.

¹⁶ Unfortunately, no good figures exist for the costs of oil wealth mismanagement in Nigeria or the delta.

¹⁷ NDDC, for instance, at one point drew up a plan under which projects would be allotted on an LGA-by-LGA basis, with a multi-factor formula used to determine allocation of funds between LGAs. Factors for the formula included volume of past or present oil production, population, and impact of operations on the area. Crisis Project interview with former Managing Director, NDDC, May 2010. Also, Crisis Project interviews with Federal and State government officials, civil society, and former contractor to a core Niger Delta state government, Abuja, May-August 2010.

¹⁸ This mirrors the larger Nigerian experience with federal revenue allocation politics. See R. Suberu, *Federalism and Ethnic Conflict in Nigeria*, 2001.

¹⁹ For more history, see Crisis Project (2010), 25f.

²⁰ O. Douglas, “Defining the community in an age of ten percent,” 2009.

Before any attempt to make peace out of oil money, then, government must answer at least the following hard economic questions:

1.) How can program funds be used to help create jobs? It is hard to imagine an economic solution to Niger Delta conflict that does not put people to work. Idle young men and women are the muscle in the area's anti-oil violence.²¹ Part of the problem is sheer numbers: some 60 percent of Niger Deltans are under 30.²² Millions of area youths, perhaps 6 out of 7, are unemployed; many have never worked.²³ Yet as elsewhere in Nigeria, much of the delta's recent economic growth has been "jobless."²⁴

An economy fit to absorb the idle is the Niger Delta's best road to peace. The typical government answer to unemployment is two-fold: skills training and work on infrastructure projects.²⁵ Yet at some point classes end and roads are built, and then what? The oil industry is not labor-intensive enough, and by itself does not yield money to sustain millions of Niger Deltans.²⁶

There is no reason to believe dumping a half billion dollars in cash annually on Niger Delta communities would transform the job market. Quick consumption, not long-term growth, would likely follow. Demand could rise for existing goods and services, but funds would be spread too thin to create much work.²⁷ Boomtown-style inflation could set in, as local economies struggle to absorb the money. "Add 10 percent to the current picture," one Western diplomat forecast, "and what you'll get is 4 dollar cups of coffee."²⁸

An economy fit to absorb the idle is the Niger Delta's best road to peace.

²¹ Between 1999 and 2007 inter-communal clashes killed 14,000 and displaced three million nation-wide, with bands of errant young men handling much of the destruction. *Reuters*, "Violence left 3 million bereft in past 7 Years, Nigeria reports," 13 March 2006.

²² 2006 Nigerian Census Figures. This places Nigeria among the countries facing a "youth bulge." For more on the relationship between "youth bulges" and conflict, see e.g., L. Beehner, "The Effects of Youth Bulge on Civil Conflicts," *Council on Foreign Relations*, 2007.

²³ National Bureau of Statistics, 2005 employment figures.

²⁴ Between 2002 and 2008 the country's labor force grew at an estimated 2.8 percent annually, yet job production did not keep pace in absorbing new entrants. World Bank Group, "Economic and Growth Report: Nigeria," 2009. Nationally, on 5-10% of the millions of new entrants to work force each year find jobs; figures for the delta may be even lower. 2007 productivity figures published by Federal Ministry of Labour; Crisis Project interview with state government Youth Commissioner, May 2010. With Nigeria's overall population projected to hit 205,000,000 by 2025, these trends show no signs of reversing. Population Reference Bureau, "Nigeria: Statistics," 2009.

²⁵ The post-amnesty process essentially continues this trend. Interviews, former militants, Ijaw activists, donor personnel, Federal and State government officials, May 2010.

²⁶ Even the recently-passed Local Content Act has been predicted to add only around 30,000 jobs over 5 years. And as one study pointed out: "Oil constituted over 95 per cent of Nigeria's exports in 2002, but if we keep in mind that Nigeria's population by far exceeds 100 million inhabitants, then – statistically – one Nigerian would have earned a miserable 30 cents a day from the \$13.7 billion Nigerian oil export sales in 2002." M. Basedau and W. Lacher, "A Paradox of Plenty? Rent Distribution and Political Stability in Oil States", German Institute of Global and Area Studies, working paper no. 21, 2006.

²⁷ Depending on the pool of beneficiaries and allocation rules used, Crisis Project estimates the 10 percent could serve anywhere from 5 to 30 million people, with an annual per capita value of around \$25 to \$200 dollars. Previously Dr. Egbogah has stated publicly that individual shares would top an astounding \$5,000 to \$10,000. Based on a total annual value of around \$500 million, though, these numbers do not add up.

²⁸ Crisis Project communication, July 2010.

**Making more jobs
calls for better
productivity, new
markets, and whole
new productive
sectors of the local
economy.**

Likewise, research in and out of Nigeria says community-level development programs like Dr. Egbogah says his plan would “encourage” do not create mass jobs, nor spur high growth across regions or sectors. They can do good in the lives of individuals, which is no small thing: household incomes of Nigerian participants in the World Bank-funded Fadama project, for instance, grew a satisfying 60%, 45% more than those of non-participants.²⁹ Yet Fadama – a massive, nation-wide effort – yielded only 125,000 or so jobs across the country in 15 years.³⁰ Likewise under the GMOU system, projects regularly go to contractors outside the communities, and most are not big enough to warrant creating permanent jobs or sizable new enterprises.³¹

There also seems to be no dormant economic miracle among the delta’s traditional economies. Take agriculture, which employs almost half of working Niger Deltans.³² In recent years it has been the hub of Nigeria’s non-oil sector growth, creating the most jobs and growing incomes the fastest.³³ Many economists think its growth potential will soon plateau, though, and most delta farming is mired at the subsistence level.³⁴ Fishing, the area’s number-two traditional employer, is in worse straits.³⁵ Propping up these sectors may answer grievances, but is unlikely to get people working. Making more jobs in the Niger Delta calls for better productivity, yet sadly available data does not say which sectors are seeing productivity rise, or which have the best growth potential.³⁶

Niger Delta economic growth and unemployment are thus huge structural problems calling for large-scale government investment. Whole new productive sectors may have to be built before anti-oil violence stops for good. Industrialization, economic history says, is the surest route to massive growth, especially when it lifts the self-employed into higher-paying wage jobs.³⁷ Yet the delta would struggle here without broad-based, creative government support. Its manufacturing sector, tiny for decades, is still

²⁹ See e.g., the analysis of the Fadama Project in International Food Policy Research Institute, “Impacts of Community-driven Development Programs on Income and Asset Acquisition in Africa: The Case of Nigeria,” 2009. (N.B.: A direct comparison of participant and non-participant incomes is an imperfect measure of the program’s potential for income growth.)

³⁰ Crisis project interviews with World Bank personnel, August 2010.

³¹ Crisis Project interviews with consultants to Chevron and Shell, May-August 2010.

³² 44.2 percent, according to the *Niger Delta Technical Development Master Plan* (2007).

³³ Federal Government of Nigeria, *Nigerian General Household Survey, 1999-2006*. This is true for Nigeria as a whole, and distinguishes it from most every growing sub-Saharan African country or major growth economies elsewhere (e.g., India, Vietnam).

³⁴ Many believe the growth seen in recent years is largely attributable to rising food prices and small increases in land use. Land use presents a particular problem in the delta, where most farms are characterized by small-sized holdings of less than one hectare per household. Crisis Project interview with private sector development expert, August 2010. FG has elsewhere estimated that a fully modernized agriculture sector would produce 5.5 million jobs nationwide over a 10 year period. *Report of the Vision 2020 Technical Working Group on Employment*, 2009.

³⁵ Crisis Project interviews with private sector expert and development economist, August 2010.

³⁶ For more, see M. Eberhardt and F. Teal, “Growth, Employment, and Industry in Nigeria,” in Treichel (ed.), *Putting Nigeria to Work: A Strategy for Employment and Growth*, 2010.

³⁷ As in the recent dramatic example of China. There is also the “out-sourcing” model of growth through skills-heavy service sector areas (e.g., the IT and call center booms in India), but the Niger Delta seems ill-suited for this.

shrinking.³⁸ What there is mostly serves big oil (e.g., steel, petrochemical production); most revenues are from a handful of concerns.³⁹ In the short term at least, manufacturing not related to oil will be tough to stimulate. None of the area's traditional industries (thatch-making, rubber) look like big growth engines, either.⁴⁰ Government provides most wage jobs, while old private sector sources – textiles, for example – are all but extinct. There is also a dire shortage of medium-size enterprises – one survey found only 1% of concerns employs over 35 people.⁴¹ And understandably so, given the massive constraints on growth: low returns on capital, rotting infrastructure, low productivity, high security costs, and neglect of the area's solid minerals for starters.

Now for the good news: none of the above means the Niger Delta's economic future must be bleak, nor that the 10 percent would necessarily fall on barren ground. A thoughtfully-designed 10 percent program could act as a cog in a larger course of growth-driving investment; it is just no *substitute* for it. Economists seem to agree that the delta could see a major influx of jobs "if binding constraints to growth in the most promising value chains are addressed *in a selective manner*."⁴² Investing in traditional trades and crops would not be a dead end necessarily, but their potentials would need to be leveraged into new productive activities. As one candidate, take palm oil: once a pillar of the local economy, today most palm plantations "look like relics of a by-gone age."⁴³ Productivity and employment are ghostly; many sites are totally shut. With a proper leg up, though, palm oil production, refining, transport, marketing and sales could grow into a complex value chain linked to new Nigerian and foreign markets.⁴⁴ Palm oil could also serve as a test

Box C:
**Addressing growth constraints with 10 percent funds –
2 possibilities**

- (1) Funds from the 10 percent are used to finance low-cost electrification projects in areas with potential for new agriculture and manufacturing. This *addresses infrastructure problems, and boosts productivity* by allowing businesses to operate through blackouts.
- (2) 10 percent funds supply participants with high-efficiency refrigeration, refining, and preservation technology to save raw materials used in emerging local food processing from rot. This *boosts productivity and increases returns on capital*.

³⁸ In 2009 manufacturing as a share of national GDP stood at 4.1 percent, down from 8.4 percent in 1980. Federal Ministry of Finance, 2009 economic sector statistics. Figures for the delta may be lower.

³⁹ In 2007, for instance, the Delta Steel Company generated over 80% of the area's n220.8 billion in annual manufacturing revenues. *Report of the Vision 2020 Technical Working Group on Manufacturing*, 2009.

⁴⁰ As a nation Nigeria does host more manufacturing than its Sub-Saharan African peers, yet wages and value added per worker are lower. See e.g., V. Kwakwa et al., "Binding Constraints to Growth in Nigeria," in Collier et al. (2008).

⁴¹ NDDC, "Demography and Baseline Sector Report informing the Niger Delta Master Plan," unpublished, 2004 (sample size = 2,377 enterprises).

⁴² V. Treichel, "Employment and Growth in Nigeria," in Treichel (2010) [emphasis added]; Crisis Project interviews with Nigerian development economists, July-August 2010.

⁴³ Crisis Project interview with Nigerian development economist, August 2010.

⁴⁴ There is a rapidly expanding market for palm oil in the EU, for instance: everything from biodiesel to mayonnaise. Indeed, palm oil production in countries like Malaysia and Indonesia skyrocketed after new EU biodiesel regulations were passed. One caveat: palm oil production can raise environmental concerns, some of which, like deforestation, can factor into conflict.

Figuring out a role for the 10 percent to play in creating new jobs in the Niger Delta calls for serious economic analysis.

case for future manufacturing and sales in the delta.⁴⁵ It is no silver bullet, and the delta would have to see 5 to 10 years of steady growth across multiple sectors before the job market came to life.⁴⁶ Old mainstays like palm oil could be a start, though, and the 10 percent could help. [For examples of how, see Box C, previous page.]

Figuring out a role for the 10 percent to play, then, calls for serious economic analysis. Simply flooding Niger Delta communities with more oil money is too crude a measure, and evidence suggests overinvestment in poorly-planned and executed development projects can actually retard growth.⁴⁷ Expecting locals to grow their own industries using things like 10 percent-backed microcredit schemes also has its limits. “How many fruit stands can the Niger Delta hold?” one economist quipped.⁴⁸ Before designing the 10 percent, then, let FG answer at least the following hard economic questions:

- Will government undertake any broader, targeted round of investment in the delta?
- If so, would investment focus on particular geographic areas, sectors, or supply chains?
- Would plans for job growth target urban or rural areas?⁴⁹
- Would Government support only a few enterprises in its chosen areas, or many?
- What would the best vehicle(s) for investment be? E.g., public works programs, subsidies or tax breaks, enterprise funds, improved access to credit, conditional lending programs?
- Would funds be used to boost exports or link the delta to new domestic markets?⁵⁰

Large-scale government economic intervention is not always a plus, of course, and can be costly.⁵¹ Yet without it, any major growth the 10 percent catalyzes would be accidental.

⁴⁵ The Rivers State Government is especially keen to revive its palm oil plantations, and has been in talks with a number of investors. Crisis Project interviews with state government officials and private sector development experts, May and August 2010.

⁴⁶ Crisis Project interviews with Nigerian economists, private sector experts, and businesspeople, May-August 2010.

⁴⁷ F. Rodriguez and J. Sachs, “Why Do Resource-Abundant Economies Grow More Slowly?” *Journal of Economic Growth* 4, 1999.

⁴⁸ Crisis Project interview, July 2010.

⁴⁹ An estimated 94 percent of the delta’s 13,000 settlements have fewer than 5,000 residents. Federal Government of Nigeria, *Niger Delta Master Plan*, Chapter 1. Nonetheless, nearly all of the country’s population growth is in urban areas today, and urbanization is expected to continue at a rapid pace. Today around half of all Nigerians live in cities; that figure is expected to reach nearly 70% by 2030. UN DESA, 2008 World Population and Urbanization Prospects.

⁵⁰ An export-focused strategy may be unreasonable in the short term. Apart from shrimping, which has found a small Asian market, none of the delta’s local industries compete internationally, whether in terms of price or quality. The U.S., for example, exports nothing but petroleum from the delta, and nothing from Nigeria as a whole but oil and gum Arabic. Right now the core Niger Delta states supply small quantities of fish, rice, livestock and palm oil outside their borders, mostly to neighboring states. Crisis Project interviews with Niger Delta businesspeople, development economist and U.S. Federal Government official, July 2010. Nationwide, oil provides 97 percent of all export earnings, and one study found that only Burundi, Ethiopia and Rwanda have lower per capita non-oil exports. T. Nielsen, “Nigeria Trade Policy,” in IMF, *Nigeria: Selected Issues and Statistical Appendix*, 2005.

⁵¹ Total costs for the Niger Delta Master Plan were set at \$50 billion over 15 years, for instance. Non-productive, special interest-driven subsidies already cost the Nigerian government billions each year.

2.) Will there be any centralized planning? There is no shortage of actors doing development work in the Niger Delta today. Governments, oil companies, civil society and donors are all there. Unfortunately, they often do not build on each other's efforts. A host of detail-rich plans for developing the area exist, but only on paper, and Nigeria has no central government body to oversee efforts.⁵² As one Federal official put it, "When you talk about development spending, each commissioner, director or donor is his own island. The mechanisms and incentives to collaborate are so weak."⁵³

The complex web of constraints on the delta's economic growth is not all that argues for a central plan. The area's difficult terrain; its many settlements, entrenched interests, and ethnic groups; lack of a single, populist development agenda; and its uncertain history with community development programming all suggest a unified plan is needed for real transformation.⁵⁴ Building select value chains is also a complex, long-term process that may require government coordination to sustain momentum.⁵⁵

If woven into a larger development agenda, the 10 percent could be used creatively either to leverage gains from big projects (e.g., by NDDC or the Niger Delta Ministry), or act as a nexus between top-down and bottom-up development efforts.⁵⁶

[For examples, see Box D, this page.]

By itself, the kind of community-led development Dr. Egbogah hopes his plan will encourage are good at supplying small-scale goods to limited geographic areas. Delivering

greater public goods requires a hand from government. Similarly, research says community-led development spurs the most growth when many communities come

BOX D:

Designing the 10 percent as part of a bigger picture – two examples

Forming a nexus between top-down and bottom-up development efforts: The 10 percent provides seed money for new medium-scale enterprises, on a venture capital, PPP, or challenge fund model. This *provides a missing link* between large-scale government infrastructure projects and skills acquisition trainings held under programs like the GMOUs.

Leveraging gains from government projects: 10 percent funds are channeled to communities along the proposed East-West Highway, as part of efforts to *create a trade route*.

⁵² These include the Niger Delta Development Master Plan, the Medium-Term Sector Strategies required under NEEDS and SEEDS, the Niger Delta Technical Committee Report.

⁵³ Crisis Project interview, May 2010.

⁵⁴ Despite their unenviable reputations, to date there has been no independent monitoring and evaluation of government development bodies like NDDC or the Niger Delta Ministry, making it difficult to verify public accusations and complaints against them.

⁵⁵ If government kept relying on agriculture to drive growth, for instance, job creation may taper off as the sector commercializes – large-scale farming, after all, is more mechanized. To keep making new jobs, the trick would be to transition farm workers to complimentary industries like food processing and transport, thereby continuing to build a longer value chain around Niger Delta food production.

⁵⁶ The World Bank is set to assist the Niger Delta Ministry in designing a medium-term investment strategy. Though the strategy will include avenues for other development actors to key in (e.g., state governments), so far the 10 percent is not to be considered under the strategy. The strategy will focus heavily on infrastructure development. Crisis Project interviews, Niger Delta Ministry and World Bank personnel, August 2010.

Redistributing oil wealth to communities is not just a goodwill gesture. It is a major change to national fiscal policy.

under the umbrella of a larger plan.⁵⁷ Indeed, interviewees working on both GMOU- and donor-funded projects complained that without a larger government-made development plan, the growth potential of their programs remained “stuck” at the local level.⁵⁸

History says *actually implementing* a Niger Delta development plan would be a political odyssey. One Federal official counted 18 government talking shops on the delta crisis since Independence; few led to anything real.⁵⁹ Roll-out of the 10 percent should not become an occasion to empanel the 19th. Existing documents like the Niger Delta Master Plan should be weighed as starting points. The 10 percent is also a chance to revisit larger national planning issues, especially the delta’s role in Nigeria’s non-oil sector. With oil supplying almost 90 percent of all revenues to the Federation Account since 1999, some in Abuja may be happy with the status quo.⁶⁰ Locals clearly are not, though, and none of the nationwide development plans from recent years ask the delta for much besides oil.⁶¹

3.) What will the fiscal terms and impacts of the program be? Redistributing a share of oil wealth to Niger Delta communities is not just a goodwill gesture. It is a major change to Nigerian fiscal policy with real economic and political consequences. For instance:

How will the program be funded? Again, when he first announced plans for the 10 percent in 2009, Dr. Egbogah said FG would cede Niger Delta communities 10 percent of its shares in the 6 Incorporated Joint Ventures (IJVs) the PIB would create. Annual share dividends would be paid into a trust, then on to communities. This option, however, was not so open-and-shut, given:

- *Impact on proposed industry reforms:* One of the PIB’s main goals is to create a streamlined, fully commercialized Nigerian oil sector free from fiscal sinkholes. The IJVs, which would replace the 6 joint ventures that produce most of Nigeria’s onshore oil today, are central to this vision. As registered legal entities financed by debt and equity, they would end long-standing fiscal barriers to investing in Nigerian oil, above all NNPC’s chronic shirking of its funding obligations.⁶² To transfer communities 10 percent of IJV shares for free, though, would be to sub in one non-contributing “partner” for another, if on a lesser scale. Someone would still owe the share price.

⁵⁷ See e.g., Barron et al., “Do participatory development projects help villagers manage local conflicts?” World Bank, 2004; Strand et al., “Community driven development in contexts of conflict,” Chr. Michelsen Institute, 2003.

⁵⁸ Crisis Project interviews with development economists and practitioners, May-August 2010.

⁵⁹ Crisis Project interview with Timi Alaibe, Special Adviser to the President on the Niger Delta and National Coordinator of Post-Amnesty Programming, May 2010.

⁶⁰ *Economic Confidential*, “Nigeria Earned N34 Trillion in Ten Years of Democracy,” August 2010.

⁶¹ Vision 2020, for instance, has articulated no strong new role for the delta in the national economy.

⁶² Under the current JVs, operations are financed under a “cash call” system where parties cover costs in proportion to their respective interests. NNPC has run billions of dollars behind in its obligations for years, forcing the oil companies to seek funds through capital markets and outside debt. Between 2006 and 2009, foreign direct investment in Nigeria fell from \$13.9 billion to \$5.8 billion, largely because of the cash call situation. 2010 UN figures.

- *Size of payouts.* The \$630 million annual payout foreseen under Dr. Egbogah’s revised plan is far below what communities might have enjoyed under the original. Granted, there was never any idea of offering a true 10 percent of government oil money – the “2 percent” was more like it.⁶³ But assuming current commodity prices, the local take could have been as high as \$2 billion a year.⁶⁴
- *Legal and constitutional problems.* Nigeria’s 1999 Constitution requires that all oil revenues government collects be paid into a special account (called the Federation Account) and then split between the federal, state, and local governments under terms dictated by the National Assembly.⁶⁵ It is at least arguable that giving communities rights to a portion of IJV revenues would violate this system.

No doubt Dr. Egbogah’s decision, under the revised plan, to delink community rights to payments from any IJV share ownership had all this in mind. The chosen alternative – forcing oil companies to pay communities “dividends” – not only shifts part of the costs, it helps avoid the sort of national-level storm clouds that kick up whenever the Niger Delta stumps for more money. Nearly all of Nigeria’s 36 state and 774 local governments survive on allocations of oil money,⁶⁶ and the Niger Delta gets a lot already: Bayelsa State’s per capita allocations, for example, topped those of Kano by 10 to 1 in some years.⁶⁷ (Meanwhile Lagos, third from the bottom on receipts, has the largest, most vibrant economy.) The disparities are huge, reaching billions of dollars.⁶⁸ How much the revised 10 percent would cost the companies is not clear.⁶⁹ It also seems relevant federal and industry actors have not been consulted on fiscal impacts.⁷⁰

Will fiscal policy around the program protect against economic shocks? To transform an economy, a government must *protect* the growth its policies encourage. Making sure development is backed by stable cash-flow is basic to this. Cycles of boom and bust characterize the Nigerian fiscal experience, however. Take the states as

The 10 percent must also be anchored to fiscal policies that safeguard local budgets and development plans.

⁶³ The proposal excluded government royalties and taxes from among the assets to be shared with communities, for instance.

⁶⁴ FG, IAT memo (2010), *op cit*.

⁶⁵ Federal Government of Nigeria, 1999 Constitution, Section 162. The current revenue sharing formula is set out in the Allocation of Revenue (Federation Account) Act (1982). The practical business of doling out revenues each month is handled by the federal Revenue Mobilisation, Allocation and Fiscal Commission established by Section 153 of the Constitution.

⁶⁶ On average, 70 percent of state revenues come from oil. See e.g., World Bank, “Nigeria: Fact Sheet,” 2009; E. Eboh et al., *Budget and Public Expenditure across Nigerian States*, 2006. Only Lagos State can be seen as fiscally self-reliant.

⁶⁷ 2007-2008 Ministry of Finance figures cross-referenced against 2006 Nigerian census numbers.

⁶⁸ A forthcoming Crisis Project report will examine Niger Delta revenue receipts in more detail.

⁶⁹ Under the PIB it seems amounts paid to locals would be deductible against federal corporate income and hydrocarbon taxes, and companies would also receive a \$3/barrel “general production allowance” as a further offset. IAT Memo (2010), *op cit*.

⁷⁰ Crisis Project interviews with oil company and NNPC personnel; officials and advisers to the Ministries of Petroleum and Finance, Central Bank of Nigeria; National Assembly members, August 2010. It appears there is also no provision for the 10 percent in FG’s newly-issued 2011-2013 Medium-Term Fiscal Framework and Fiscal Strategy Paper.

example: although most depend on oil money, their fiscal processes offer small cushion for downturns. Federal oversight of state spending is also weak. State budgets and plans suffer whenever oil prices fall, and prior growth can ebb away fast. The risk of conflict also rises. Budgets are collections of political promises, and cash-strapped states are left open to extortion by angry, opportunistic insiders.⁷¹ “Government in the delta is only as strong as its purse,” one militant told Crisis Project.⁷²

To avoid mirroring these problems at the community level, design of programs like the 10 percent must be anchored to fiscal policies that safeguard local budgets and development plans.⁷³ By tying what communities get to a fixed schedule of prices (e.g., \$20,000 per wellhead), Dr. Egbogah has mostly isolated them from oil price volatility. This is an improvement over the original plan, where it was said only that the local take would “vary from time to time.”⁷⁴ There are other problems with it, though [see “Challenge Two,” below.]

4.) Will Government implement other pro-growth policies? If broad-based economic growth is its endgame, FG must also first decide what other signals to send interested investors, and then see how the 10 percent might assist. After years of crisis of in the delta, how would government persuade industry to take the plunge? If policies were announced to support industrial belts and clusters⁷⁵ or set up new free trade zones,⁷⁶ for instance, communities participating in the 10 percent could be grouped and funds given out along the same lines. FG could also channel resources for public-private partnerships through the 10 percent, or create subsidy programs.⁷⁷

The Jonathan administration has announced a raft of policies that could aid prosperity

⁷¹ Between 2008 and 2009, for instance, combined gross statutory allocations and derivation for Bayelsa State dropped from N 87 billion to N 40 billion. At the same time, the Sylva government projected nearly identical numbers for both years (N 108 billion in 2008, N 104 billion in 2009). Bayelsa State 2008 and 2009 budgets, Head 409.

⁷² Crisis Project interview, May 2010.

⁷³ Common strategies include: (1) coordinating and controlling spending, (2) saving, (3) diversifying the program’s revenue base.

⁷⁴ *Business Day* (Lagos), “Egbogah explains 10 percent dividend programme for oil-impacted communities,” 27 May 2010.

⁷⁵ As was important, for instance, in the (poorly-implemented) Ministry of Commerce and Industry’s 2007 document “Nigeria’s Industrial Development Strategy: A Cluster Concept.” A cluster-based development model may be more of a long-term vision for the Niger Delta: currently it is difficult to speak of industrial clusters in Nigeria outside of Lagos and Kaduna. Research, it should also be noted, suggests most successful Nigerian economic clusters (e.g., Nnewi automobile cluster in Anambra or Otigba computer village in Ikeja) owe their progress more to entrepreneurial steps than Government aid. See D. Zhihua Zeng, “Knowledge, Technology and Cluster-Based Growth in Africa,” World Bank, 2008.

⁷⁶ Research suggests Nigeria’s 17 current FTZs have not achieved their promise in terms of job creation or other growth. See P. Mousley, “Building the Enterprise Sector for Employment and Growth,” in V. Treichel (2010).

⁷⁷ Any new subsidies would need to be based on rational economic analysis, avoid capture by private interests, and have clear exit strategies. Consider here the downstream petroleum products sector, with its raft of non-productive, special interest-driven subsidies that drain billions of dollars from the Nigerian economy each year.

and security in the Niger Delta, though coordination between them seems loose.⁷⁸ At least one could be transformative [see Box E, this page]. And there are no signs of other key measures. What, for instance, of the sweeping security sector and political reforms needed to control practices like oil theft, kidnapping, and extortion? Security risks are still a major obstacle to new business in Nigeria's oil-producing south. The delta is also a tough place to do business legally and bureaucratically, and a round of federal and state-level process reforms would be welcome.⁷⁹ Businesspeople will want to see greater sanctity of contract, for instance, and less corrupt incorporation hurdles. There is no sense trying to grow what prevailing conditions would choke out. Finally, FG would have to develop a cross-cutting strategy to ensure new economic growth provides alternatives to, rather than grows, the conflict economy. Things like security sector and political party reforms, procurement restrictions, and communications could all play roles.⁸⁰

BOX E: Power Sector Reform – a wild card?

Niger Delta businesses regularly single out epileptic electricity supply as the number one threat to their surviving and thriving – the costs inflicted are huge. If President Goodluck Jonathan's just-announced roadmap for power sector reform actually gets the lights on in the delta and makes energy costs more affordable, how much of a game-changer could that be for the non-oil economy? And how could the 10 percent key in?

CHALLENGE TWO: SETTLE ON A CLEAR IDEA OF HOW SPENDING MONEY WILL AVOID CONFLICT.

The next question for FG to answer is maybe the toughest of all: *exactly how will giving the Niger Delta more money reduce anti-oil violence?* Even if much of the violence is "about money," that does not make money the "solution." Every act of violence has many causes, whether social, cultural, psychological, political, economic, geographic, or ideological. Each cause interacts with every other, and all can shift with time. And again,

⁷⁸ E.g., the job growth targets created under the Nigerian Local Content Act; the institutional reforms included in the Petroleum Industry Bill; the federal committee set up to revisit government's role in preventing and remedying oil spills; the promises of power sector reform.

⁷⁹ A recent study ranked bureaucratic business hurdles in the 9 delta states among the most burdensome nationwide. Bayelsa was singled out as the hardest place in Nigeria to start a business. World Bank, *Doing Business in Nigeria – 2010, 2010*.

⁸⁰ Much of the argument in this paper assumes that (1) a modernized, globalized, relatively high-income and high-amenity existence is what Niger Deltans dream of for themselves, (2) helping people realize their dreams is a viable route to peace. Or, put differently, that the Bretton Woods-based philosophy of "global poverty reduction," along with much similar thinking by governments and donor agencies, finds real resonance in the hearts and minds of "targeted" beneficiaries. A common refrain – and not just among elites – in the delta is that "when there is development, there will be peace." Yet what exactly should "development" mean, where relative peace is the goal? Answering this question, according to one Special Adviser to President Jonathan, would require nothing less than a full "social inventory" of Niger Delta communities. 30-plus years of oil, after all, have brought mass cultural confusion, institutional breakdown, and profound economic distortions. To map out a peaceful, mutually-desired way forward – the "common state-building project" mentioned above – Niger Deltans may first have to confront such basic questions as "who are we," "what binds us together," and "what do we want for ourselves and each other." There is no sign such a process is forthcoming, however.

a range of violent behaviors harm Niger Delta oil production, from infrastructure attacks to extortion to local battles. How to treat them all with money?

To *do something* with money, you also need *goals*. So far only one has been articulated for the 10 percent: “ending” anti-oil violence. Yet what concrete things should the money be spent on? There is nothing inherently peace-affirming about wiring the Niger Delta more cash. The 2000s, for instance, saw state government revenues and violence rise in near-parallel formation.⁸¹ Should funds respond to something, or encourage something?

BOX F: Hard Political Questions

Should they target things that feed anti-oil violence, or hold it back? Help fix what is broken, or nurture what works? Various roads are open. [See Box F, this page.] And crucially: what concrete things would locals want from the 10 percent, and how far should they be allowed to set their own goals? It seems Dr. Egbogah has not asked them, has not shared his plan in any meaningful way with the very people it aims to help.⁸² Without consultation, how can FG possibly know how Niger Deltans will react to what they get? There is a long history of communities turning violent when confused about what is coming to them.⁸³ Why risk replaying it?

When setting goals for the 10 percent, should FG channel funds in ways that:

Address core grievances, structural issues, or “conflict drivers”? FG could concentrate 10 percent funds in areas with the highest youth unemployment, or allocate them based on environmental impacts of oil production, for instance.

Target “vulnerable” groups or conflict-prone areas? For example, FG could earmark a portion of 10 percent funds for women- and youth-led businesses, or allocate more money to areas with high conflict risks.

Reward innovation and initiative? Here program money could be mainlined to areas showing higher economic growth, for instance, or placed in a Challenge Fund or venture capital system to back promising local entrepreneurs.

Saying a government program will “end” conflict without a clear idea of how is like fixing a car without knowing how engines work. FG, eager to *do something* for the Niger Delta, may be enticed by the claim. To *do something* about conflict, though, you need to *change something*, and programs like the 10 percent offer two main options:

1.) Changing economic incentives. So far this idea dominates public statements on the 10 percent. Dr. Egbogah, for instance, has said the program will turn locals into guardians of oil installations using one key tool: withholding the annual share of any community that does not “protect” oil production in its area.⁸⁴ Rivers State Governor Rotimi Amaechi backs the idea, saying: “What it does is to kill militancy. No community will allow you to come and disrupt activities in their area because they need the money.”⁸⁵

⁸¹ Crisis Project finding derived from Federal Ministry of Finance figures together with media reports and interviews on Niger Delta violence. Interviews conducted 2009-2010.

⁸² Crisis Project interviews with civil society and government personnel, 2009-2010.

⁸³ One of the most frequent sources of violent conflict under the GMOU programs, for instance, has been confusion over how funds are allocated between communities. Crisis Project interviews with oil company personnel and consultants, 2009-2010.

⁸⁴ *Business Day* (27 May 2010).

⁸⁵ *NEXT*, “Equity will douse oil tension in the Niger Delta,” 27 October 2009. This provision recalls Shell’s GMOU agreements, under which communities that “sponsor” actions affecting oil production lose all or part of their annual allocated funds. Shell has taken a very narrow view of what constitutes community-

No lone redistribution of oil wealth can end the system of opportunism behind the Niger Delta's anti-oil violence.

Unfortunately, no lone redistribution of oil money can end the system of opportunism behind the Niger Delta's anti-oil violence. *There is no magic number.* Decades of unmet demands and hijacked oil money flowing through communities have distorted incentives and expectations around oil too far – and again, anti-oil violence can *pay*.⁸⁶ The 10 percent alone cannot match it naira for naira, even if high-profile violent actors are bought off separately. As one Port Harcourt-based civil society worker said of the ongoing post-amnesty program, “There is not enough money to pay every generation of leaders. The ones to watch out for are the boys next in line.”⁸⁷

The existing incentives to violence are likewise too complex. For example, Crisis Project research found 8 distinct reasons to damage an oil pipeline in the Niger Delta. Each had its own fluid set of actors, risks and rewards; damage happens thousands of times a year.⁸⁸ Anti-oil violence also pays more in some places than others, and rewards can grow legs. Take the militia member from Community X who attacks Community Y's flow station and spends his earnings in City Z. The Niger Delta conflict economy, described earlier, makes getting incentives “right” harder still. And perversely, punishing community pocketbooks when oil flow is stopped could even spark more violence.⁸⁹ Results simply are not predictable, and communities cannot control everything going on in their borders.⁹⁰ Things like community development projects also take time to bear fruit, whereas anti-oil violence feeds many mouths *right now*.

Finally, the idea of compensating locals based on pre-set values for different kinds of infrastructure (e.g., \$20,000 per wellhead) may actually prove invidious. The numbers look quite arbitrary, and may remind locals of a similar system for pricing seized land used in the much-hated Land Use Act of 1978.

2.) Changing local institutions and relationships. Much more promising is this second idea, which says that letting communities pick their own goals for the 10 percent would reduce anti-oil violence in two ways. First, it would build relationships and institutions that form barriers against violent conflict. Second, it would constructively re-channel the energy locals would otherwise put towards violence.⁹¹

“sponsored” action, however, and to date has assessed no penalties. Crisis Project interviews with SPDC consultants and personnel, 2009-2010.

⁸⁶ MEND's Jomo Gbomo has scoffed at any idea the 10 percent could end violence, saying FG “assumes giving alms to the youth of the delta will secure installations.” Press Statement, 29 January 2010.

⁸⁷ Crisis Project interview, May 2010. In August, for instance, Shell reported 3 separate instances of sabotage to its Cawthorne Channel-Bonny pipeline between 1 and 12 August alone. The pipeline had to be shut for repairs, deferring around 100,000 bpd. SPDC, press statement of 15 August 2010.

⁸⁸ The motivations were (i) stealing large quantities of oil for sea transport, (ii) stealing small quantities for local refining and sales, (iii) extracting money from government, (iv) extracting money from oil companies, (v) preventing others from stealing oil or extracting money, (vi) protesting government or oil company action or inaction (e.g., non-implementation of an MoU), (vii) engaging in or promoting turf wars, (viii) attracting media attention. Crisis Project interviews with militants, community leaders, government officials, civil society, oil company personnel, 2009-2010. For (disputable) figures on infrastructure sabotage, see the annual *Statistical Bulletins* from NNPC (logging 2,285 instances in 2008, for instance).

⁸⁹ Crisis Project (2010), 39f.

⁹⁰ Crisis Project interviews with oil company personnel and consultants, civil society, 2009-2010.

⁹¹ See e.g., J.P. Lederach, “Conflict Transformation,” *Beyond Intractability*, 2003.

Empowering locals to spend the 10 percent money together could forge new community ties that protect against violence breaking out.

The possibilities here turn partly on how much money locals choose to withdraw in cash. It is tough to see how converting the 10 percent into a once-a-year ATM would build much of anything, peace included.⁹² The local development projects Dr. Egbogah says his plan would “encourage” are the better bet. Consider here the “community-driven development” (CDD) philosophy underpinning Niger Delta development initiatives like the GMOUs or the World Bank’s CDD work. CDD is a model of development in which communities choose, manage, and (sometimes) partly fund their own small-scale development projects. Its thinking says you reduce conflict less by what you give than by how beneficiaries manage it. Key tenets are:

- Treat locals as “assets” in the development process, rather than “targets;”
- Make development programming “demand-driven,” not “supply-driven;”
- Use community-based organizations (CBOs) as on-ground managers and funds recipients;
- “Empower” communities by letting them say how resources will be used.⁹³

A growing body of research and anecdote speaks well for CDD programs in Nigeria and elsewhere, not least in conflict-prone areas. They surely seem to be popular with communities, and cheaper than government-led development.⁹⁴ Likewise, Crisis Project has recorded many stories in which Niger Delta communities enjoying CDD programs:

- Took steps to correct rumors around money that were fomenting violence;
- Worked together to prevent kidnappings;
- Denied armed youth groups entrance to their communities;
- Repelled overtures from armed groups to incite violence on their behalf;
- Alerted oil companies and government to past and planned anti-oil violence.⁹⁵

CDD, it should be noted, is not the only kind of work the 10 percent could support as a means to building local ties and harnessing energies. Research says a robust, collaborative private sector is often at the front lines of peace.⁹⁶ If government earmarked

⁹² For analysis of the peace-building and economic growth potential of cash transfers in the Niger Delta, see A. Gillies and A. Sayne, “Case Study for Cash Transfers: the Niger Delta,” *CGD*, 2010 (forthcoming). For more on cash transfers in other countries, see e.g., R. Holmes, “Cash Transfers in Post-Conflict Contexts,” Overseas Development Institute, 2009 (citing examples from Somalia, Sierra Leone, Mozambique, Afghanistan and Nepal); T. Moss, “Saving Ghana from its Oil: The Case for Direct Cash Distribution,” *CGD*, 2009; S. Devarajan et al., “Increasing Public Expenditure Efficiency in Oil-Rich Countries: A Proposal,” 2010.

⁹³ Crisis Project interviews with oil company, World Bank and Pro-Natura Nigeria personnel, 2009-2010.

⁹⁴ See e.g., Narayan et al., *Voices of the Poor: Can Anyone Hear Us?*, 2000; Consensus Building Institute et al., “GMOU Participatory Stakeholder Evaluation,” unpublished, 2008.

⁹⁵ Crisis Project interviews and communications with oil company personnel and consultants, GMOU Regional Development Council members, World Bank and DFID personnel and consultants, 2008-10.

⁹⁶ See e.g., International Alert, Local Business, *Local Peace: The Peacebuilding Potential of the Domestic Private Sector*, 2006. This publication highlights the domestic private sector’s peacebuilding potential. Through a series of case studies, it details instances in which businesses, business associations or entrepreneurs: pressured their governments to respond to conflict or underlying conflict issues; provided training and employment to ex- and potential combatants; offered outside investment and manpower; provided space for cooperation and collaboration between divided groups (e.g., in workplaces, trade associations, etc.); participated in and supported peace negotiations, disarmament and reconciliation processes; provided security; clamped down on and offered alternatives to war economies. See also UNDP, *Creating Value for All: Strategies for Doing Business with the Poor*, 2008.

10 percent funds to grow industry in the delta, it could help unlock the non-oil sector's peace-building potential.

Now the challenge: could government craft the 10 percent to help make stories like Crisis Project heard about Niger Delta CDD the norm? To do so, it would need to seek lessons from outside Nigeria, and work through some more hard questions. Foremost among them: what would FG's "Niger Delta *peace* development master plan" be, and how would the 10 percent slot in? Just like leveraging community-level economic growth is easier with central planning, so multiplying local "peace dividends" from the 10 percent would call for big-picture thinking. There is almost no proof CDD reduces region-wide conflict, and practitioners say it is hard to spread gains across community borders.⁹⁷ Could FG target the 10 percent, for instance, to make neighbors work together in ways that build peace in "chain reactions" or "belts"? Or should it design the program to stop conflict spreading, on a "contagion" model? What other social processes should government get behind (e.g., mediation, truth and reconciliation, traditional justice mechanisms, renegotiation of a "social contract")? Evidence from other countries says CDD can bolster bigger anti-conflict initiatives, though on its own it does not "resolve" conflict.⁹⁸

Next question: if government chooses to bundle the 10 percent together with a broader round of targeted development planning and investment, how would its priorities gel with those of locals? Locals may be experts on their own immediate needs, but would they choose routes to long-term prosperity? Few will have technocratic knowledge or high-capital business savvy. To avoid missed opportunities and crises of consensus, FG would need to design a consultation process for picking 10 percent goals that strikes a balance between good politics and good economics. There are other options, too – e.g., providing locals with menus of things they can spend on.

And perhaps most importantly: great as the 10 percent's potential for uniting community members may be, what of the relationship between citizens and government? The Niger Delta, after all, is the conflict zone in Nigeria where grievances most explicitly *target the state*. Dr. Egbogah says he has found the antidote: *making communities "owners" or "partners" with government in the oil business*. This, he claims, will stop conflict by creating fresh goodwill between the Niger Delta and its rulers. "There is nobody in the oil communities who will have any more justification to raise the alarm over what is happening there," Egbogah assures, "because the business is theirs now."⁹⁹

It is an appealing statement, yet on closer look the emperor may have no clothes. Certainly ownership of oil and land are core grievances in the delta.¹⁰⁰ But under Egbogah's revised plan, communities do not own anything new – what they get is a statutory right to money. The details suggest little would change between rulers and

⁹⁷ See e.g., USAID 2004. *Improving the Effectiveness of Community-Based Infrastructure Programs for Achieving Reconciliation in Conflict-Affected Societies, A Report on the Workshop to Collect Lessons Learned and Identify Good Practices held by USAID, 2004*; World Bank, *op. cit.*, 2006.

⁹⁸ Consider here the donor-funded Community Reintegration and Rehabilitation Project in Sierra Leone, for instance.

⁹⁹ Punch, "10% equity: No more justification for militancy in N'Delta – FG," 6 November 2009.

¹⁰⁰ See Crisis Project (2010), 28f.

ruled: government would stay absent on development, still forcing the oil companies to do what is really its job. Still no common state-building project emerges, and Niger Deltans could easily see their new income as “cynically designed to buy off dissidents with the express goal of reaching maximum production levels.”¹⁰¹ Why not just pocket the money and leave the message of goodwill on the table? Most grievances in the Niger Delta, again – from environmental damage to high unemployment – stem from perceptions Nigeria’s elite has mismanaged its oil business and politics.¹⁰² Politicians also fund and mobilize some of the area’s worst violence, anti-oil violence included.¹⁰³ Grand “partnership” rhetoric aside, Dr. Egbogah’s 10 percent gives locals no new say in any of this.¹⁰⁴

It is hard to see a “solution” to anti-oil violence that does not address the Niger Delta’s leadership problems head on. Dr. Egbogah’s fix is to make an end-run around them: under his 10 percent, no state or local government official would control funds, and all funds would bypass state accounts. His reasons are clear enough, the fear of corruption especially. But research says aid-based conflict programs work best when they reach *key* people, not just “the people.”¹⁰⁵ Bottom line: a program like the 10 percent could help rebuild the “social capital” of communities, with benefits for long-term peace. Yet however cleverly built, it is no substitute for a government that delivers for its people, and there is really no cause to think the delta’s people will accept it as such.

CHALLENGE THREE: ENSURE IDEAS FOR THE PROGRAM HOLD UP AGAINST REALITIES ON-GROUND.

All good ideas need testing, to see if they can breathe on their own. Again, programs like the 10 percent must be built on clear ideas of change before they are a match for things like anti-oil violence. Yet the ultimate question is: *How will the program actually interact with violence over time, once unleashed on communities?* How will it alter local conflict dynamics, and how will they alter it? The ideas underlying a program like the 10 percent offer a snapshot of it at work in communities. In testing them, FG must turn the snapshot into a movie, and watch what happens.

¹⁰¹ J. Hickel, “Prosperity or Plunder? Nigeria Slipping at an Oily Crossroads,” *Monthly Review*, September 2010.

¹⁰² In one 2005 UNDP-commissioned survey, for instance, respondents cited “poor leadership” (16.7%), “poor governance” (16.1) and “corruption” (14.4) as their leading complaints about the delta, ahead of “environmental degradation” (14.3) and “unemployment” (14).

¹⁰³ See Crisis Project (2010), 29f. A recent survey of communal conflicts in Rivers State also found that political figures mobilized, manipulated or otherwise inflamed violence in most of the conflicts reviewed. Rivers State Government, *Report of the Rivers State Truth and Reconciliation Committee*, Part Two, 2008.

¹⁰⁴ For instance, the program to date does not allow locals a seat on IJV Boards, or provide mechanisms for communities to vote at annual IJV shareholder meetings. It likewise gives communities no new rights or control over issues like land use and tenure; compensation for lost or damaged land; citing of new oil infrastructure; levels of oil production; environmental assessment or remediation processes; policing and security practices; use of oil money by federal, state or local governments.

¹⁰⁵ See e.g., M. Anderson (ed.), *Options for Aid in Conflict: Lessons from Field Experience*, CDA Collaborative Learning Project, 2000.

Yet however great the potential for uniting community members, what of the relationship between citizens and government?

It is absolutely critical the 10 percent be tested before any funds go out. Government will create winners and losers the minute it releases money, or even shares final plans. If the lines it draws between people line up with conflict fault lines, or encourage fresh divisions, there will be trouble. This is true whether FG's endgame is growth or appeasement, and the zero-sum nature of Nigerian wealth-sharing only ups the ante. Anti-oil violence is also too complicated to treat with untested ideas. Again, different practices are involved (oil theft, kidnapping, etc.), and the violence stems not from a single conflict, but a dense system of conflicts.¹⁰⁶ Not all communities are created equal, violence-wise, and results cannot be assumed throughout. Moreover, giving Niger Delta communities oil money – cash, especially – has a history of sparking violence, often due to leadership problems.¹⁰⁷

If the 10 percent itself became an object of violent dispute, or was mismanaged early, the damage would be hard to undo. Too much scandal or violence could reduce the program to just another battle line in the conflict landscape, another target for opportunism. No ideas could help then. Before finalizing program design, FG should:

1.) Assess all plans against the delta's conflict history, trends, trajectories, and potential triggers. Here there would need to be focus on both the short and long term. Many in the delta believe, for instance, that the area's current calm will collapse in the next 6 to 12 months.¹⁰⁸ If correct, at least the following short-term conflict trends could affect roll-out of the 10 percent:

- Violent actors are right now re-assessing their tactics, goals and financing networks;
- Patterns around conflict activities like oil theft are shifting as elections near;
- One or more militant leaders may retire, prompting succession issues;
- FG may focus on a military response to anti-oil violence should the amnesty fail;
- Global oil prices are forecasted to top \$100/barrel in the next 1-2 years.¹⁰⁹

Analysis of longer-term trajectories should focus on the 10 percent's:

- Effects on the conflict economy;
- Impacts on inter-ethnic relations in the delta;¹¹⁰
- Power to change the relationship between citizens and government.

¹⁰⁶ One 2007 UN estimate alone counted as many as “120 to 150 high risk and active violent conflicts in the key oil-producing states of Rivers, Delta, and Bayelsa.” UNDP, “Niger Delta Situation Assessment and Opportunities for Engagement,” unpublished, 2007.

¹⁰⁷ For more, see Crisis Project (2010), 35f., and the papers from Berkeley University's “Economies of Violence” project, available at <http://geography.berkeley.edu>.

¹⁰⁸ Interviews, activists, civil society personnel, armed group members, May 2010.

¹⁰⁹ Interviews with Niger Delta academics, activists, civil society personnel, armed group members and counsel to major militant leader, May 2010.

¹¹⁰ The groups of communities involved in Shell and Chevron's GMOU communities, for instance, are ethnically-homogenous clusters of settlements, most of which the companies were already dealing with before the GMOU program began. Some observers believe that in the long term, this system could (1) heighten conflict between participating and non-participating communities, (2) strengthen inter-ethnic rivalries and suspicions, possibly leading to new conflicts. A few interviewees said they believed the seeds of each were already visible. Crisis Project interviews with Shell and Chevron staff and consultants, civil society, activists, 2009-2010. Flooding the existing GMOU clusters with more money could exacerbate these potential problems.

The ultimate question is this: how over time will the 10 percent interact with violence on the ground?

2) Assess plans against the realities of local governance in the delta. FG should not commit to the 10 percent until it knows how to manage it peaceably. In the Nigerian context, social programs are often no stronger than the acts and intentions of their leaders. The Niger Delta's leadership problems are huge: corruption and open theft, fraud and deceit, extortion, waste, poor planning and use. Its history of oil money causing conflict is largely one where leaders mispend wealth to the point of violence. Moreover, the area's local governance is like its conflict: complicated. Oil money splits some communities, while others manage it well.¹¹¹ Some places may lack a single person with the skills needed to spend so much money wisely. And not for lack of comers: your average delta community is choked with leadership institutions, from kings and elders councils to youth and civil society groups, CBOs, and prominent families.¹¹² The credibility, stability and relevance of each vary by place and time.

To inform plans for the 10 percent, FG would need to assess:

- Which federal-level body should oversee administration of the 10 percent?
- Which local actors will most likely handle the money intelligently and peaceably?
- What capacities for good management are lacking, and what investment would be required to build them?
- What procedural safeguards should the 10 percent program include (e.g., transparency, procurement, leadership succession provisions)?

Dr. Egbogah's revised plan punts on nearly all the details of local governance, leaving them up to future regulation.¹¹³ This is fundamentally irresponsible, and the specifics should be studied and worked out before the 10 percent becomes law.

Using the findings of the 2 assessments, likely future scenarios should be drawn for each 10 percent model FG considers. Any model with a bleak outlook should be re-tooled or scrapped. Consider these two (non-mutually exclusive) scenarios drawn from Dr. Egbogah's model as examples:

A.) The 10 percent launches a new round of community-level violence in 1 to 3 years.

Even prior to the amnesty, community-level battles were fewer and less intense than in past years.¹¹⁴ Dr. Egbogah's 10 percent could change that. Though no exact roster

¹¹¹ See Crisis Project (2010), 26f.

¹¹² Merely on the CBO front, the options include home town unions, women's groups, community trusts, community development boards and councils, community development foundations (as in Akassa), and the regional development councils and cluster development boards that administer Chevron and Shell's GMOUs locally.

¹¹³ Federal Government, IAT memo (2010), op cit.

¹¹⁴ Interviewees gave differing reasons for this, including shifting strategies and incentives of violent actors, changes in armed group membership, and battle fatigue. Crisis Project interviews with civil society, activists, oil company personnel, government officials, and armed group members, 2009-2010. Also as one Niger Delta academic put it, armed groups like MEND, with their anti-state rhetoric and dramatic assaults on oil installations, have in recent years "edged the locus of violence closer to the center of the Nigerian federation." Interview, May 2010. Part of the genius of Nigerian centralized revenue allocation, some analysts have noted, is the way in which it turns states and communities into the prime battlegrounds for control of resources, thereby shifting conflict away from Abuja, which sits –

of participants is worked out, the definitions of “impact” suggest existing oil company “host communities” would benefit most – indeed, those involved in Shell and Chevron’s GMOU programs could split the lion’s share of funds. This is risky. It would link payments to explosive issues like oil and land ownership, or compensation for environmental harm. It would set up huge disparities between neighbors, excluding many communities with their own claims.¹¹⁵ It would raise the value of local office, inviting corruption and rivalries between elites. Dumping funds into existing GMOU clusters or “host communities” could also launch cycles of institutional overload and dashed expectations, as local leadership groans under the new wealth. All of which, the oil company experience in the delta shows, are recipes for anti-oil violence.¹¹⁶

B.) The 10 percent hastens the retreat of government in the Niger Delta, with disastrous long-term effects on peace, economic growth, and national unity. Designing the 10 percent as an end-run around underperforming state and local governments could do more than limit the program’s power as a tool against conflict. What happens long-term when you channel trillions of naira for public goods to ethnically-homogenous groups that bypass the formal government and operate without shared plans or goals? One answer is that you create dozens of independent fiefdoms, or “nations within a nation.” The dangers in the restive, ethnically-split Niger Delta should be clear. 10 percent funds could bankroll new ethnic militias, for instance, against regional security and the rule of law. Outside investment beyond oil could halt with government absent on the ground. And then there is secession. The more locals use their “own” money to meet local needs, the more they may wish to take what is “theirs” and go. History says breaking away from Nigeria is tough.¹¹⁷ But as one Ijaw Youth Council leader told Crisis Project, “Right now we are inside Nigeria because it is in our interests. Let our fortunes change, though, and we will see.”¹¹⁸

rather symbolically – at Nigeria’s dead geographic center. See e.g., R. Suberu (2001), Chapter 2. The 10 percent could easily reignite violence to the local level, yet without reducing threats to the center, necessarily.

¹¹⁵ Around 3,000 settlements of the Niger Delta’s total 13,000 host oil infrastructure. Figures from UNDP (2006), op. cit. and NNPC 2008 Statistical Bulletin. Shell and Chevron’s GMOU programs serve around 2000 of them.

¹¹⁶ Crisis Project (2010).

¹¹⁷ Consider here the cases of King Koko, Adaka Boro, Biafra, and Dokubo-Asari.

¹¹⁸ Crisis Project interview, May 2010.

RECOMMENDATIONS

FIRST STEP: A PLAN FOR THE NIGER DELTA

The following steps should preface and inform any design of the 10 percent. All should consider the 10 percent in their analysis and recommendations.

1.) Choose a broader program of investment: With an eye to achieving targeted economic and job growth in the Niger Delta's non-oil private sector, a team of outside consultants, reporting to the Presidency, should conduct:

- ▶ *A market survey* of the 9 Niger Delta states evaluating the area value chains with the highest growth potentials, and recommending vehicles for achieving growth (public-private partnerships, subsidies or loans, free trade zones, etc.);
- ▶ *Other economic analysis* as needed to guide government investment;
- ▶ *A revisiting* of existing Niger Delta and national development plans, to see how they could be used in coordinating investment by government and private actors.

2.) Enact supporting policies: To further aid growth, the Presidency should fast-track:

- ▶ *A coordinated package of pro-growth policies*, for instance power and security sector reforms;
- ▶ *A round of bureaucratic reforms* to do things like streamline incorporation procedures and promote sanctity of contract;
- ▶ *A strategy plan* to prevent economic growth from feeding the conflict economy.

3.) Negotiate political consensus. Obviously political negotiation with the sub-national tiers of government, donors, and other actors (e.g., trade associations, chambers of commerce) would be needed for heavy investment and coordinated development work in the delta. The Presidency should lead, with the process culminating in:

- ▶ *A detailed implementation framework*;
- ▶ *A multi-stakeholder committee structure* for overseeing development efforts and future Niger Delta policies.

SECOND STEP: A PLAN FOR THE 10 PERCENT

Based on the findings and decisions made under the First Step, the next tasks should be:

1.) Appoint designers. To ensure clear control and flow of information, the Presidency should empanel:

- ▶ *A 10 percent Design Committee*, made up of one Presidential Adviser (chair), one Ministry of Finance official, and at least one outside consultant. The committee should report direct to the President.

2.) Study models. To have a full range of design options on the table, the Design Committee should commission from an outside consultant:

- ▶ *A study* of (1) project-based, (2) distribution-based, and (3) loan or grant-based models used or proposed in and outside Nigeria to share extractive or other state wealth direct with communities. The study should provide analysis and recommendations on the potential of each model for economic growth and conflict reduction in the delta, and end by proposing a short-list of 3-5 models.¹¹⁹

3.) Settle on a clear idea of how the 10 percent will reduce conflict. Drawing partly on the results of the Models Study, the Design Committee should next commission:

- ▶ *A comparative survey* of (1) the conflict resolution and other sociological literature treating ideas of social change, (2) past assessments and other literature on the use of community-based development programming to reduce conflict.

4.) Ensure ideas for the program will hold up against on-ground realities. To help ensure the 10 percent impacts local conflict trends and trajectories positively, and vice versa, outside consultants should produce:

- ▶ *A conflict assessment* testing proposals from the Models Study against prevailing conflict history, trends, trajectories and triggers in Niger Delta communities;
- ▶ *A governance assessment* testing the Models Study's proposals against the state of community-level governance institutions in the delta.

Findings of both assessments should be based on consultations (e.g., focus groups, surveys) with a representative sample of participating communities, not just interviews with the usual civil society and elite voices.

5.) Set early goals. The Design Committee, with facilitation by one or more outside firms, should conduct:

- ▶ *Consultations* with a representative sample of Niger Delta communities to determine (1) what communities would like the 10 percent to accomplish; (2) what concrete things they would spend 10 percent funds on.

¹¹⁹ In Nigeria, analysis should consider for instance: the Community Trust Fund proposed in the Niger Delta Technical Committee Report (2008); the "Igbeti Marble formula" for mineral revenue sharing propounded in the Old Western Region; the stake in Nigerian refineries offered communities under the 2007 privatization program. Outside Nigeria, the focus should include: community-level development programs worldwide, both oil and non-oil based; cash-for-work programs; conditional cash-transfer programs, esp. those popular in Latin America.

- ▶ *An analysis* of how community ideas for spending could be harmonized with government's broader Niger Delta investment plan, with concrete recommendations.

8.) Set fiscal policy. To protect economic growth and ensure responsible financial management and planning, the Ministry of Finance, working with an outside consultant, should produce:

- ▶ *An evaluation* of the 10 percent's likely macro and local impacts, with recommendations for funding it;
- ▶ *A set of recommendations* for fiscal responsibility measures (e.g., spending constraints, savings, revenue diversification) to be included in the 10 percent's governing regulations and founding documents.

6.) Produce a Final Design. At this point the Design Committee, drawing on all prior steps, should fill in the details of (i) which communities or individuals will share in the 10 percent; (ii) how they may be grouped for distribution; (iii) how the program will be funded; (iv) the criteria for allocating funds; (v) how available funds will be calculated; (vi) which federal Ministry or other body will be responsible for overseeing the program; (vii) the details of the local governance structure(s); (viii) any restrictions on how funds may be used.

7.) Present the Final Design to communities. This should be done using a mix of open public forums, the press, and online social media. The Design Committee should evaluate all feedback received, to see if any changes to the Final Design are warranted.

8.) Consider instituting a pilot phase. FG should think about testing the 10 percent for 3 years in a sample of communities before rolling it out to the whole delta.

THIRD STEP: ENACTING PLANS

The National Assembly should pass *either the PIB or a separate law* containing basic terms for the 10 percent program. *More detailed Federal regulations* should then be drawn up and housed with the Ministry or other body overseeing the program, and *local governing documents* should be drafted together with communities (e.g., constitutions, procurement and budgetary guidelines). The overseeing Ministry, together with outside consultants, should then create *a participatory development planning framework* locals will use to cement any local development plans.¹²⁰ All these materials should be made publicly available, both online and in the participating communities themselves.

¹²⁰ Those responsible should seek lessons from the various models used by oil companies in and outside Nigeria (e.g., Participatory Rural Appraisals, Social Impact Assessments) and the many similar tools used by the World Bank.

CONCLUSION

In the 10 percent, Nigerian President Goodluck Jonathan inherited a clumsy promise made by his predecessor. To give it value, he should ensure plans have strong analytical and popular support, and that the 10 percent is folded into a greater plan for the Niger Delta. Otherwise it will start more conflict than it can ever stop, becoming a living lesson that *something is not always better than nothing*. Or perhaps just as bad, locals may view an ill-crafted 10 percent as another *something that brings them nothing* – another waste pipe or white elephant, another drop in the bucket. Things do not have to go that way. Let government answer some hard economic and political questions first, and the 10 percent could be designed as a key catalyst for a peaceful and prosperous Niger Delta. As it is, plans are murky and misbegotten, the area's creeks still full of angry young men. Why wade in armed with rough ideas and poor information?